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## Malaysia

## Grain and Feed

## Annual

## 2002

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### Report Highlights:

Except for rice, Malaysian grain imports recorded significant increases in 2000/01. The rapid recovery in the Malaysian pig sector resulted in a sharp increase in corn imports. Wheat consumption also showed steady growth in 200/01. The outlook for 2001/02 is bright with forecast of further increases in both corn and wheat imports. The prospect for US sales of corn and wheat is good.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
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## Executive Summary

Malaysian grain imports rebounded in 2000/01. The Malaysian pig sector recovered rapidly from the ravage caused by the outbreak of the Nipah virus in 1999, subsequently, corn imports reached a historical high in 2000/01. Wheat imports also recorded an increase to meet the increase in domestic consumption, albeit a slower growth than corn. A further increase in domestic rice production in CY2001 influenced a decline in rice imports.

The Malaysian economy is poised to grow in 2001/02 which will lead to an increase in the consumption of locally produced meat such as pork and chicken meat, positively impacting grain imports. Imports of wheat are expected to show a stronger increase in 2001/02 in order to cater for the anticipated growth in milling requirements as well as rebuilding stocks. Further expansion in rice production in 2002 should dampen rice imports.

The prospect for U.S. grain sales is brighter than in the previous year. With a smaller exportable surplus from Canada, U.S. should be able to capture at least 12 percent share of the Malaysian wheat market compared to 3 percent in the previous year. As for corn, U.S. continues to face competition from China and Argentina. There is an opportunity for U.S. corn sales to Malaysia if China is willing to eliminate export subsidies under its WTO agreement. Historically, U.S. has been an insignificant player in the Malaysian rice market.

		Production	Imports	Exports	Domestic. Disappearance
			(In 1,000 MT)		
Corn	2000/01	65	2613	16	2568
	2001/02	68	2690	7	2700
	2002/03	70	2870	10	2860
Wheat	2000/01	0	1193	122	1080
	2001/02	0	1280	140	1125
	2002/03	0	1350	150	1190
Rice	2000	1410	593	6	1960
	2001	1480	480	0	2010
	2002	1490	580	0	2050

1/ Exchange Rates: 2000 US1.00 = Rm3.80

2001 US1.00 = Rm3.80

February 15 2002 US1.00 = Rm3.80

## Corn

(in 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	28	21	27	22	0	23
Beginning Stocks	150	150	150	244	122	295
Production	65	65	57	68	0	70
TOTAL Mkt. Yr. Imports	2450	2613	2400	2690	0	2870
Oct-Sep Imports	2450	2613	2400	2670	0	2870
Oct-Sep Import U.S.	0	18	0	200	0	300
TOTAL SUPPLY	2665	2828	2607	3002	122	3235
TOTAL Mkt. Yr. Exports	250	16	0	7	0	10
Oct-Sep Exports	250	16	0	7	0	10
Feed Dom. Consumption	2195	2398	2385	2520	0	2670
TOTAL Dom. Consumption	2265	2568	2485	2700	0	2860
Ending Stocks	150	244	122	295	0	365
TOTAL DISTRIBUTION	2665	2828	2607	3002	0	3235

## Production

Domestic corn production in Malaysia is insignificant.

## Consumption

The Malaysia pig sector showed a rapid recovery in 2000/01 after the devastation caused by the outbreak of the Nipah virus during the first half of 1999. Various buying missions to the US and Europe have resulted in sharp imports of breeding pigs into Malaysia. Current high ex-farm prices for live pigs provide the incentive for further expansion in the near term and it augurs well for domestic corn consumption.

Likewise, the poultry sector also experienced steady expansion and we expect further increases in demand from the domestic market, as well as the tourist sector. At this point, we expect domestic corn consumption to increase 5 percent in 2001/02 and 6 percent in 2002/03.

## **Trade**

Malaysia's imports showed a hefty jump of 11 percent to 2.6 MMT in 2000/01. While China continued to dominate the Malaysian corn market with a market share of 59 percent, imports from Argentina and Thailand registered the bigger increases. The US practically lost all of its market share due to the lack of price competitiveness.

In line with the increase in feed consumption, we forecast Malaysia's imports to rise in 2001/02 and 2002/03. The key factor affecting U.S. sales to Malaysia in the current year and the near future is China's willingness to abide by its WTO commitment to eliminate export subsidies after February. Since there is still a high degree of uncertainty surrounding this issue, Post conservatively expects US corn imports to increase to 200 TMT in 2001/02 and to a higher level in the following year.

**Corn Imports**

Import Trade Matrix			
Country	Malaysia		
Commodity	Corn		
Time period	Oct00/Sep01 for 2001, Oct01/Sep02- Not Available	Units:	1000 MT
Imports for:	2000		2001
U.S.	18	U.S.	
Others		Others	
China	1533		
Argentina	795		
Thailand	154		
Brazil	74		
Australia	22		
Indonesia	10		
Burma	4		
India	3		
Total for Others	2595		0
Others not Listed			
Grand Total	2613		0

## Stocks

With supplies coming from nearby China and Thailand, stock level was slightly more than a month at the end of 2000/01. As Malaysia turns more towards the Americas, longer freight time will necessitate an increase in local stock level.

## Policy

### Production Policy

The GOM has no definite plans to develop a viable domestic field corn industry. Domestic corn production is unlikely to expand significantly in the foreseeable future.

## Marketing

### Market Development Opportunities

The most urgent need to increase corn consumption in Malaysia is to rebuild the pig industry which has been ravaged by the outbreak of the Nipah virus (Japanese Encephalitis) in 1999. During March/April 2000, FAS/KL (using EMO funding) and USAEP sponsored 34 key Malaysian officers and farmers to attend the Livestock Waste Management Training Course at the Environmental Center for Livestock Waste Management (ECLWM) in Taiwan. The U.S. National Swine Registry sent a delegation to explore the Malaysian swine sector in March, 2001. Their program included meetings with governmental officers, local swine industry leaders and producers; and conducting swine technical seminars for few selected swine farmers' association. These efforts have resulted in at least three buying missions making their way to the US to purchase breeding pigs.

Together with the National Swine Registry, FAS/KL plans to conduct two swine training courses on artificial insemination and breeding management in the states of Penang and Perak this coming March. In the longer term, FAS/KL hopes to link resources in the U.S. to assist Malaysia in developing a modern, integrated pig farm system. Post is confident that the revival of the Malaysian pig farming sector will have a positive impact on the imports of U.S. feedgrains in the near term and supports activities which contribute to the revival.

GMO/Biotech Safety Issue: The controlling Ministry for the proposed legislation which involves three acts, namely, Biosafety Act, Access to Biological Resources Act and National Biodiversity Council Act, hopes to submit the final draft to Parliament by March. Acceptance of GM products could be a limiting constraint that needs to be addressed properly.

Malaysia could become one of the most powerful vocal advocates of biotechnology in ASEAN. FAS/KL is working with the Malaysia Biotech Information Center (MABIC) to assist with three upcoming seminars: Seminar 1: *Dissecting the Myths on Frankenfoods* – a hands-on workshop for the media; Seminar 2: *GM food - the Evidence on Human Health* for the medical community; and Seminar 3: *GMOs - Sources, Detection and Regulations* for the food/feed industry. FAS/KL is also committed to support the BioMalaysia 2002, a major international conference on biotechnology during October 2002. Through this International Biotechnology Symposium, Exhibition and Business Partnering project, Malaysia hopes to attract world-class biotechnology scientists and companies to Malaysia. USGC, Cargill and Monsanto are also keen to be partners in some of these programs.





## Wheat

(in 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	0	0	0	0	0	0
Beginning Stocks	150	150	150	141	150	156
Production	0	1193	0	0	0	0
TOTAL Mkt. Yr. Imports	1300	0	1300	1280	0	1350
Jul-Jun Imports	1300	1193	1300	1280	0	1350
Jul-Jun Import U.S.	0	97	0	140	0	160
TOTAL SUPPLY	1450	1343	1450	1421	150	1506
TOTAL Mkt. Yr. Exports	140	122	150	140	0	150
Jul-Jun Exports	140	122	150	140	0	150
Feed Dom. Consumption	50	0	50	0	0	0
TOTAL Dom. Consumption	1160	1080	1150	1125	0	1190
Ending Stocks	150	141	150	156	0	166
TOTAL DISTRIBUTION	1450	1343	1450	1421	0	1506

## Production

Wheat is not produced in Malaysia.

## Consumption

Domestic consumption of wheat by millers recorded a small increase in 2000/01. While domestic consumption of noodles expanded, overseas demand for Malaysian noodles and biscuits suffered a dip after many years of double-digit growth. The main markets for Malaysian noodles include the EU, Australia and the ASEAN nations.

The Malaysian economy is poised to grow in 2002 and domestic consumption of wheat-based products is likely to show a healthy growth in 2001/02. Flour millers are already mulling over expansion of existing capacities or building new ones. In addition, Malaysian wheat biscuit and instant noodle exporters are also optimistic of increases in overseas demand for their products. We expect a 4-6 % growth in wheat consumption for the next two years.

Domestic wheat prices are controlled by the Malaysian Government under the Supplies Regulation Act (1974). The retail flour price remained at RM1.20 (US\$0.32) per kilo since 1997.

## **Trade**

The outlook for total wheat imports is bright and we expect total imports to climb to 1.3 MMT. Since the Malaysian wheat market is dominated by the noodle and biscuit industries, Australia will remain the major player in the soft wheat market. U.S. competes with Canada in the Malaysian hard wheat market which is essentially the bread sector. While Canada is expected to have a smaller exportable surplus, its currency is at its historical low at the present moment. At this point, we estimate U.S. wheat exports to Malaysia to increase to 140 TMT in 2001/02.

Exports of wheat flour were flat in 2000/01 with decreased demand from Indonesia. Small increases in exports are expected in the next two years.

**Wheat Imports**

Import Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time period	Jul00/Jun01 for 2000, Jul01/Sep01 for 2001	Units:	1000MT
Imports for:	2000		2001
U.S.	97	U.S.	25
Others		Others	
Australia	824	Australia	185
Canada	214	Canada	75
India	50	India	37
Indonesia	9		
Total for Others	1097		297
Others not Listed			
Grand Total	1194		322

**Wheat Exports**

Export Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time period	Jul00/Jun01 for 2000, Jul01/Sep01 for 2001	Units:	1000MT
Exports for:	2000		2001
U.S.	1	U.S.	
Others		Others	
Thailand	47	Thailand	14
Singapore	44	Singapore	9
Indonesia	23	Indonesia	6
Brunei	4	Brunei	1
Burma	1		
Vietnam	1		
India	1		
Total for Others	121		30
Others not Listed			1
Grand Total	122		31

## Marketing

### Market Development Opportunities

Malaysian millers/importers are still complaining about the difficulty of rectifying the discrepancies arising from contract specifications. They still perceive US traders going out of their way to match the minimum standard requirement while its competitors normally would give a bonus above the specs. GIPSA's proposed plan to send an officer to ASEAN for a three-month stint should help to dispel some of the negative feelings towards the U.S. export system.

Being a white wheat, HWW can compete with Australian Soft Wheat (ASW) and overcome the color and enzyme problems caused by red wheat in noodle production. The program at the Asian Noodle Development Technology Center is in the right direction. However, despite USWA's efforts to increase the use of HWW in noodle manufacturing, Malaysian importers complain that the commercial people in U.S. are not giving the backing, i.e. the big traders are not pushing such products in this market.

The Quality Samples Program should be useful for the Malaysian market. Flour millers have voiced the need to obtain a reasonable amount of HWW in order to perform trials/tests both in the mills and noodle manufacturing.

US wheat has not been price competitive and has lost virtually all its market share to Canada in recent years. In addition, wheat boards in Australia and Canada offer price discounts which render US as a residual supplier. For the immediate term, importers should be encouraged to purchase split-cargo with U.S. soybean/corn in order to reduce cost of importation.

### Competitor Activities

The Australian and Canadian Wheat Boards are known to provide exceptional service in all aspects of trade. Having control over both pricing and marketing activities, the boards can offer attractive discounts as well as respond quickly to Malaysian complaints about grain quality or other issues related to sales. The AWB even has its own ships to provide low cost and efficient transportation for its products. Both Boards make regular trade servicing trips to the various mills in the country. The Australian Board is undergoing privatization and that may have some impact on the US wheat trade.

The Canadian Board is ready to commercialize its 'white' CWRS and this might pose a threat to US DNS and Australian Prime Hard. The only disadvantage in securing wheat from Canada is that wheat originating from cold weather conditions tends to sprout faster in the tropics.

## Rice

(In 1000 Hectares and 1000 MT)

PSD Table						
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Country	Malaysia					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Harvested	665	665	670	672	0	673
Beginning Stocks	425	425	500	462	530	412
Milled Production	1425	1410	1440	1480	0	1490
Rough Production	2192	2169	2215	2277	0	2292
MILLING RATE (.9999)	6500	6500	6500	6500	0	6500
TOTAL Imports	596	593	600	480	0	580
Jan-Dec Imports	600	480	600	580	0	600
Jan-Dec Import U.S.	0	1	0	1	0	1
TOTAL SUPPLY	2446	2428	2540	2422	530	2482
TOTAL Exports	0	6	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	1946	1960	2010	2010	0	2050
Ending Stocks	500	462	530	412	0	432
TOTAL DISTRIBUTION	2446	2428	2540	2422	0	2482

## Production

Preliminary estimates indicate a 9 percent increase in rice production in 2001 when compared to 2000's output. A small expansion in planted area as well as generally fair weather conditions in rice-growing areas contributed to an improvement in yields in last two years.

The outlook for 2002 is still bright. Barring any unforeseen, adverse circumstances, post expects harvested area to expand modestly to 673,000 hectares and rice output to increase to about 1.5 MMT in 2002. If the target is achieved, Malaysia is close to 74 % self-sufficient.

## Consumption

Domestic consumption is expected to increase by 2.6 percent in 2001 and 2.0 percent in 2002. The small increase in consumption is partly due to unofficial rice imports from neighboring Thailand.

Rice retail prices remain unchanged since 1993. The ceiling price structure is as follows (in RM per kg):

Zone	Standard Grade	Premium	Super
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A) Kedah, Kelantan, Perlis, Seberang, Krian K. Selangor & S. Bernam	0.98	0.01	1.65
B) Trengganu, Penang & Perak	0.99	1.06	1.70
C) Federal Territory & Selangor	1.01	1.07	1.75
D) N. Sembilan & Malacca	1.03	1.09	1.75
E) Johor, Gua Musang & Pahang	1.04	1.11	1.80

The support prices for padi rice also remained at RM55.00 per 100 kg for long grain and RM51.69 per 100 kg for medium grain since December 1997. In addition, all rice farmers receive a subsidy of RM25 per 100 kg of padi delivered to a licensed mill or drying facility.

## Trade

With an increase in domestic rice output, Malaysia's rice imports declined 19 percent in 2001. Thailand and Vietnam were the top suppliers followed by Pakistan, Australia and China. Rice sales from U.S. amounted to only 1,000 MT.

Since the rice output growth is expected to be insignificant in 2002, rice imports should rebound to 580 TMT in order to meet domestic consumption as well as to rebuild stocks.

### Rice Imports:

Import Trade Matrix			
Country	Malaysia		
Commodity	Rice, Milled		
Time period	Jan-Dec for CY00 and Jan-Sep for CY01	Units:	1000 MT
Imports for:	2000		2001
U.S.	1	U.S.	1
Others		Others	
Thailand	280	Thailand	143
Vietnam	134	Vietnam	105
China	119	Pakistan	25
Pakistan	42	Australia	24
India	10	China	20
Australia	4	India	4
Burma	3	Burma	3
		Cambodia	1
Total for Others	592		325
Others not Listed			
Grand Total	593		326



**Rice Export:**

Export Trade Matrix			
Country	Malaysia		
Commodity	Rice, Milled		
Time period	Jan-Dec for CY00 and Jan-Sep for CY01	Units:	1000 MT
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
Brunei	6		
Total for Others	6		0
Others not Listed			
Grand Total	6		0

## **Policy**

### **Production Policy**

Considered a 'security' item, the GOM targets 70 % self-sufficiency in rice production. In order to prepare the sector to meet the challenges arising from globalization and the implementation of AFTA in 2003, the Agriculture Ministry is adopting a strategy to change the farmers' mind-set to adapt to the impact of direct foreign competition caused by trade liberalization. So far, it has proved to be a arduous task.

## **Marketing**

Rice imports from the United States are mainly Calrose rice consumed by Japanese and Korean expatriates. Contributing factors to the U.S. absence from the market include lower prices from neighboring suppliers; the desire to enhance regional relationships and cheaper freight & shorter shipping times for competitors' rice. While the opportunities for sales of U.S. rice in Malaysia are still very limited, the absence of a price ceiling on imported high grade rice and the incorporation of LPN, the Malaysian Rice Authority, may help to create a small niche market for imports of branded, packaged rice, especially for the small organic food sector from the United States.